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Egypt

Grain and Feed

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Report Highlights:
U.S. wheat exports recapture the Egyptian market but private sector wheat imports continue to decline due to the government's intervention in the traditionally unsubsidized flour market. Egypt's total corn imports are expected to decrease by about 17 percent this year due to the continuing devaluation of The Egyptian pound, but U.S yellow corn exports are expected to continue dominate the market.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Cairo [EG1]
[EG]

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Wheat

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PSD Table

Country: Egypt

Commodity: Wheat

	2002		2003		2004	
	Old	New	Old	New	Old	New
Market Year Begin		**07/2002**		**07/2003**		**07/2004**
Area Harvested	1008	1008	1008	1038	0	1050
Beginning Stocks	1499	1929	951	1800	0	2071
Production	6150	6300	6250	6500	0	6550
TOTAL Mkt. Yr. Imports	6300	5650	5500	6600	0	6700
Jul-Jun Imports	6300	5650	5500	6600	0	6700
Jul-Jun Import U.S.	912	1336	3600	4950	0	5000
TOTAL SUPPLY	13949	**13879**	12701	**14900**	0	**15321**
TOTAL Mkt. Yr. Exports	10	0	0	0	0	0
Jul-Jun Exports	10	0	0	0	0	0
Feed Dom. Consumption	50	70	50	70	0	70
TOTAL Dom. Consumption	12700	12079	11650	12829	0	12935
Ending Stocks	1239	1800	1051	2071	0	2386
TOTAL DISTRIBUTION	13949	**13879**	12701	**14900**	0	**15321**

Crop Area

Wheat is planted in October/November and harvested in April/May. According to the Ministry of Agriculture, total wheat area for the MY 2003/2004 is estimated at 1,038,000 HA or about 3.7 percent over the 2002/2003 area. For MY 2004/2005, the area is expected to be about 1,050,000 HA or 1.2 percent over the 2003/04 level due to adequate rains at the optimum time. The rain feed area is estimated at 84,000 HA but usually only 21,000 HA are harvested. Total production for MY 2003/2004 is expected to be 6,5 MMT compared to 6,3 MMT for MY 2002/2003. This increase is expected to occur due to the increase in area planted with wheat, and the use of high yielding varieties. The average yield for the MY 2002/2003 crop is estimated at 6.1 M per HA. According to the Ministry of Agriculture, all wheat areas are cultivated with new varieties (Gemmiza 7, Gemmiza 9, Sakha 93 and Giza 168 and Giza 93), which have potential yield of 7.6 MT per HA. In November, 2003, (ahead of the planting season), the government increased the procurement price for local wheat to LE 933 ($150 per MT) from LE 667 MT ($121 per MT) for the 2002/03 wheat crop. This price is lower than the price of U.S HRW wheat and Australian hard wheat, which is now being imported at $167 per MT/ FOB. The total quantity of locally produced wheat sold to the Ministry of Supply in MY 2003/2004 was 2 million MT, or 150,000 MT less than the 2002/03 season. In MY 2004/05, The General Authority For Supply Commodities (GASC) plans to purchase 3 million MT of local wheat. However, the government's actual local wheat purchases seldom exceed 2.3 MMT. Hence, most industry analysts anticipate that local wheat purchases by Ministry of Supply will not exceed 2.3 MMT this marketing year.

Consumption

Total consumption of wheat in MY 2003/2004 is expected to reach 12,829,000 MT or 6.2 percent higher than the 2002/03 level. The price of unsubsidized breed in Egypt has been on the increase since September 2003 due to declining wheat imports by the private sector. The price of unsubsidized bread increased by about 25 percent since September 2003. Lack of foreign exchange availability for private sector importers and the continuing devaluation of the Egyptian pound in addition to high international prices for wheat have resulted nearly 100 percent private sector flour increase at the wholesale level. In reaction to price increases, for the first time in 12 years, in November 2003, the Ministry of Supply authorized the General Authority for Supply Commodities to import 120,000 metric tons of wheat per month for the production of tradionally unsubsidized flour by the Food Industries Holding Company (FIHC) which competes with private sector mills in the open market. Since the beginning of the MY 2003/04 through the middle of February 2004, the Ministry of supply imported 700,000 MT of hard wheat. A portion of this wheat is used strictly for the production of Fino bread for schools at 10 piasters per loaf and the other portion is sold by GASC to FIHC. This effectively displaces private sector wheat imports. The government plans to spend LE 770 million this year to subsidize the price of Fino bread for school . As a result, most private sector mills are increasingly finding difficult to buy wheat. In fact, many private sector mills are now operating at only 20-30 percent of normal capacity and some of them have stopped operating. Although the production capacity of flour mills normally far exceeds demand, the operating capacity of the country's 30-35 modern mills normally operate at 60-65 percent in a given year. The Egyptian milling industry has more than adequate capacity to cover the country's need for 72 percent extraction flour. While total consumption of 72 percent extracted flour is estimated at 1.8 MMT or 2.5 MMT of wheat, the total milling capacity is currently estimated at 2.7 MMT of 72 percent flour, or 3.76 MMT of wheat. The public sector milling industry consists of 126 mills (mostly small and medium size) and has a total capacity of about 7 MMT per year.

There are 7 public sector companies that operate these mills and all are affiliated with one holding company (Food Industries Holding Company). Out of the 126 public sector mills, 109 mills are currently used for the production of 82 percent extraction flour and 7 mills are used to produce 72 percent extraction flour with total capacity of 6,230 MT per day (1.86 MMT annually). Shares of some of these companies have been sold to private investors during the past few years. Although the majority of shares are held by the private sector, the holding company maintains complete control of these mills. Given that wheat is a strategic commodity in Egypt, the government is expected to retain control of most of the milling industry (particularly for the subsidized baladi bread) for the foreseeable future. There are about 36 private sector commercial mills with total capacity of 9,000 MT per day (2.8 MMT annually) as compared with 24 mills with total capacity of 6,350 MT per day (1.9 MMT annually) last year. These are permitted to produce only 72 percent flour.

Because of the government's intervention in the traditionally unsubsidized portion of the market, the Holding Company mills are in a position to sell 72 percent extraction flour at LE 900-950 per MT while private sector mills have to market the same flour at LE 1,800 per MT or more. If this situation remains, several private sector mills will likely be forced to shut down in the near future.

Since July 2003 through February 8,2004, Egypt's total wheat purchases are estimated at about 4 MMT, of which 77 percent was imported by the government and the rest was imported by the private sector. According to wheat traders, the private sector did not import any wheat during December 2003 and January 2004. Ministry of Supply (GASC) imports are expected to reach 6 MMT of wheat this year: 4.5 MMT of soft wheat for the production of 82 percent flour for the production of subsidized baladi bread and 1.5 MMT for the production of 72 percent flour for the production of fino bread. In addition, GASC plans to purchase 3 MMT of locally produced wheat and 500,000 MT of locally produced white corn. However, in 2002/03 GASC was able to purchase only 2 MMT of locally produced wheat and 350,000 MT of locally produced white corn for the production of subsidized bread. The subsidy on baladi bread is estimated to cost the government about LE 5.8 billion this year as compared to 3 billion last year. Most of the domestic wheat is either sold to the Ministry of Supply or retained by farmers for on-farm consumption. Egypt, continues to have one of the highest per capita wheat consumption levels in the world. In MY 2002/2003, per capita consumption of wheat was estimated at about 183 Kg compared to175 Kg consumed in 2001/2002, and this trend is expected to continue . The reasons for this increase are: 1) Increased government subsidy on both the 82 and 72 percent flour; 2) in-efficinecs in the government mills which lead to high losses during storage, handling and the milling processes. The prices of wheat flour produced by private sector mills have increased during last few months on average from LE 1,100 per MT to LE 1,800 per MT, while 72 percent extraction flour produced by government mills have been fixed at LE 500 per MT for the production of subsidized fino bread and at LE 1,650 per MT for other products such as pasta, biscuits and sweets.

Trade

Egypt's total wheat imports are expected to increase slightly during this marketing year. With respect to imports, the U.S and Australia are expected to dominate the Egyptian market this year due to the absence of non-traditional suppliers this year. US wheat exports to Egypt are expected to increase substantially this year if the current trend continues. The U.S market share since the beginning of MY 2003/04 July through end of January) is estimated at 65.6 percent of Egypt's total wheat imports and 81 percent of GASC imports. This is compared to 23.4 and 34 percent market share respectively during MY 2002/03. In an attempt to find ways to secure wheat for public sector mills, on November, 11, 2003, the government of Egypt and Syria clinched an agreement to import 200,000 MT of semi hard wheat at a reported price of $ 157 per MT/ FOB. Reportedly, 25,000 MT of Syrian wheat arrived in Egypt and, 75,000 MT is expected to arrive during March and April, 2004. GASC is currently negotiating with the Syrian government for another 200,000 MT of wheat at an undisclosed price.

Imports of wheat flour have become insignificant and are now limited to international donations including the 30,000 MT donated by the EU during this marketing year, and about 10,000 MT from the World Food Program. Customs duties for wheat and corn are 1 percent plus 2 percent other port charges.

Stocks

The Government has a policy for GASC to maintain 4-6 months of strategic stock. However, due to limited storage capacity, the strategic stocks are now redefined to include wheat import purchases in the pipeline, usually in the range of three months of consumption needs. At the present time, total covered storage capacity for wheat is estimated at one MMT, including about 350,000MT in silos at three different ports, about 250,000 MT in inland silos and about 400,000 MT in open storage mostly in metropolitan areas. In addition to the government storage facilities, several private sector traders and mills currently have their own receiving and storage facilities, estimated to be about 500,000 MT.

Factors Affecting U.S Trade

Both the government and the private sector buyers prefer U.S. wheat because they trust the quality control system in the U.S. However, on October 1st, 2003, the Egyptian plant quarantine office in the ministry of Agriculture attempted to initiate a new inspection policy on wheat imports, which would have required all wheat vessels to Egypt to be inspected by Egyptian plant quarantine at the port of loading, in addition to the regular import inspection upon arrival in Egypt. Egyptian plant quarantine officials justified the new policy due to an apparent increase in the number of foreign seeds in import samples. If implemented, this requirement would have caused substantial delays and additional import costs. Fortunately, the Minister of Agriculture canceled this requirement the day it was to become affective (Nov.2,2003). Due to the current market situation particularly the competitiveness of U.S wheat prices, both the government and private sector companies are importing more U.S wheat.

U.S. Wheat Associates continues to provide trade services and quality seminars to Egyptian millers, wheat buyers and traders. U.S Wheat Associates’ quality seal program is widely used to promote products containing U.S. wheat. The USDA GSM-102 Program (three-year credit guarantee program) is available for both public and private sector importers of U.S. agricultural commodities, but importers no longer use the program due to the high exchange rate risk in the Egyptian market.

Wheat Import Trade Matrix

Import Trade Matrix

Country:	**Egypt**	Units:	1,000 MT
Commodity:	**Wheat**		
Time period:			
Imports for	**MY2001/02**		**MY2002/03**
U.S.	3,507	U.S.	1,336
Others		Others	
Australia	1,165	France	2,280
France	510	Russia	1,339
Turkey	200	Australia	360
Hungary	154	Ukrain	62
Canada	110	Poland	51
Germany	25	Pakistan	50
Pakistan	25	Yugoslavia	38
Ukrain	238	India	28
Russia	212	Romania	15
Argentina	48	Kazakhstan	12
Total for Others	2687		4235
Others not listed	84		60
Grand Total	6278		5631

Corn PSD Table

PSD Table

Country: Egypt

Commodity: Corn

	2002		2003		2004	
	Old	New	Old	New	Old	New
Market Year Begin		**10/2002**		**10/2003**		**10/2004**
Area Harvested	735	700	740	720	0	730
Beginning Stocks	400	500	100	100	0	100
Production	5880	6000	5920	6150	0	6200
TOTAL Mkt. Yr. Imports	3940	4150	4000	4100	0	4200
Oct-Sep Imports	3940	4134	4000	4150	0	4200
Oct-Sep Import U.S.	3150	2900	3200	3000	0	3200
TOTAL SUPPLY	10220	**10650**	10020	**10350**	0	**10500**
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	10120	10050	9920	9750	0	10150
TOTAL Dom. Consumption	10120	10550	9970	10250	0	10400
Ending Stocks	100	100	50	100	0	100
TOTAL DISTRIBUTION	10220	**10650**	10020	**10350**	0	**10500**

Area & Production

The total area for corn in MY 2003/2004 is estimated at 720,000 HA, (or about 2.8 percent more than 2002/2003 level). Most of the area is planted to white corn and the remainder is yellow corn. This increase is mostly attributed to the sharp increase in imported yellow corn prices and accordingly, some farmers have switched from growing rice to corn. This trend is expected to continue in MY 2004/05 as long as imported corn prices continue to increase. Total corn production in MY 2003/2004 is expected to increase slightly and reach 6.15 MMT. Further increase is expected in MY 2004/05 corn production due to the expected area increases.

Consumption & Utilization

Egyptian total corn consumption in MY 2003 /04 is expected to be 10,250,000 MT, or about 2.8 percent lower than the MY 2002/03 level. This expected decrease is due to the sharp increase in corn and other feed grain prices after the devaluation of the Egyptian pound. As a result, several poultry farms have been forced to shutdown. Most of the local corn crop is used for on-farm animal feed and about 1.5 MMT are used for food purposes (either milled or consumed fresh). Large and commercial end-users and feed mills rely on imported yellow corn to meet their requirements. However, the use of corn for feed is expected to recover slightly in MY 2004/05 due to expected increases in the numbers of both dairy and beef farms. In MY 2002/03, about

350,000 MT of locally produced white corn was delivered to the Ministry of Supply for the production of subsidized baladi bread. So far this Marketing Year (through the end of January 2004), total white corn purchased by the Ministry of Supply is estimated at 200,000 MT. A small but growing demand for food products containing corn (snack food) plus the increase in demand for corn oil have also contributed to the increased demand for corn. Egypt imports about 250,000 MT of yellow corn annually for the production of starch and sweeteners. Approximately 2.2 MMT of imported corn was used for poultry, about 1.7 MMT was used for ruminants and about 250,000 MT is expected to be used for starch industry in MY 2003/04.

Trade, Marketing & Competitors

Egypt's total corn imports for MY 2002/03 was estimated at 4,150,000 MT or about 17 percent lower than MY 2001/02. This is mainly due to chronic foreign exchange limitations in the banking sector and the devaluation of the Egyptian pound. This forced some poultry producers to either reduce their production or shutdown completely. The U.S market share decreased to about 70 percent in MY 2002/03 as compared to 89 percent in MY 2001/02. This is mainly due to price differences between U.S and Argentinean / Brazilian corn and soybean meal in favor of non U.S. origin. Corn importers combine corn and soybean meal in one shipment in order to reduce shipping costs. Since the beginning of MY 2002/03 (October), through the mid February, total Egyptian corn imports are estimated at 1.3 MMT, of which 1.2 MT came from the US, 78,000 from Argentina and 5,000 from Canada.

Corn Import Trade Matrix

Import Trade Matrix

Country:	**Egypt**	Units:	1,000 MT
Commodity:	**Corn**		
Time period:			
Imports for	**MY 2001/02**		**MY 2002/03**
U.S.	4459	U.S.	2500
Others		Others	
Argentina	526	Argentina	824
		Brazil	594
		Ukraine	85
		China	52
		Croatia	34
		South Africa	16
		Uruguay	12
		Germany	6
		Bulgaria	3
		Russia	3
Total for Others	526		1629
Others not listed			21
Grand Total	4985		4150